



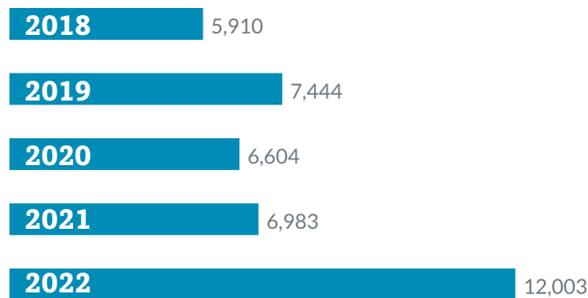
July 2022
Volume X, Issue: 7



"Homebuilders continue to feel a slowdown from the sharp rise in interest rates this spring. We're seeing some normalcy in traffic and seasonality return to the housing market, but we remain concerned about affordability as more homebuyers are forced to the sidelines from high interest rates."

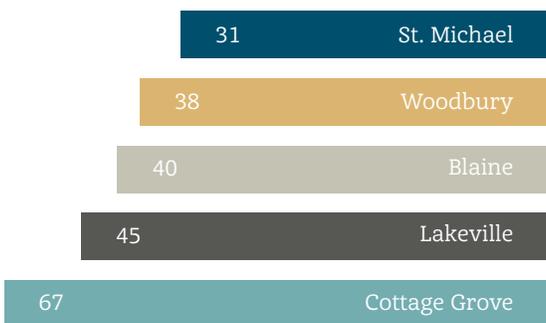
James Julkowski, president of Housing First Minnesota

Twin Cities Building Activity



Units Authorized Year-to-Date June 2018-2022

SOURCE: KEYSTONE REPORT



June Top Cities for Residential Permits

SOURCE: KEYSTONE REPORT

[Housing First Minnesota]

Single-Family Construction Slows in the Twin Cities While Apartment Construction Picks Up the Pace

It's clear the sharp rise of interest rates is taking its toll on the new single-family construction in the metro, with permits dropping for the second consecutive month in June. Meanwhile developers are surging ahead with plans for new apartments in the Twin Cities with another triple-digit increase over this month last year. Homebuilders pulled 576 permits for new single-family homes for the month, a 10% drop from last June. This month, permits were pulled for 2,093 multifamily units,

with a majority of the units being in the suburbs.

"Homebuilders continue to feel a slowdown from the sharp rise in interest rates this spring," said James Julkowski, the 2022 president of Housing First Minnesota. "We're seeing some normalcy in traffic and seasonality return to the housing market, but we remain concerned about affordability as more homebuyers are forced to the sidelines from high interest rates."

According to data compiled by the Keystone Report for Housing First Minnesota, there were 637 permits issued for a total of 2,669 units during four comparable weeks in the month of June.

"The demand for homeownership is still incredibly strong in our community," said James Vagle, the executive

director of Housing First Minnesota. "Short term, we expect interest rates to impact buyers' decisions and timing. Long term, our housing market remains undersupplied. We need new single-family homes to balance that out."

For the month in permits, Cottage Grove took the top spot with 67 permits issued. Lakeville came in next with 45 permits, followed by Blaine with 40 permits and St. Michael with 31 permits issued rounded out the top five.

For the month in units, Edina took the top spot with 412 permitted units. Bloomington came in next with 405 permitted units, followed by Minneapolis with 252 units. Cottage Grove with 242 units and Maple Grove with 215 permitted units rounded out the top five.



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[Minneapolis Area REALTORS® and the Saint Paul Area Association of REALTORS®]

Buyers Grapple With Affordability Challenges Amidst Rising Rates and Home Prices

According to new data from Minneapolis Area REALTORS® and the Saint Paul Area Association of REALTORS®, Twin Cities home prices rose as sellers continued receiving strong offers despite slightly longer market times. Meanwhile, buyers signed 18.4% fewer purchase agreements than last year. While these signal a rebalancing marketplace, the

persistent shortage of homes in the region should keep prices resilient.

The median home price hit a record \$380,000 last month, an 8.6% increase from last June and a 23.4% increase since the beginning of the pandemic in June 2020. For the last few years, historically low mortgage rates have offset the effect of rising prices on monthly payments. With rates recently

moving from under 3.0% to 5.5%, the impact of rising prices has increased monthly payments.

"While buyers should know that mortgage rates are still well below their long-term average, the increase in rates has had a real impact," said Denise Mazzone, president of Minneapolis Area REALTORS. "Today's buyers are more sensitive to that."

A silver lining of moderating buyer activity is its effect on the inventory shortage throughout the region. The metro ended June with 8,020 homes for sale, 9.8% more than last June. Inventory gains have been rare, but with a mere 1.6 months of supply, buyers are thirsty for more choices.

June 2022 Metro Building Activity

It's clear the sharp rise of interest rates is taking its toll on the new single-family construction in the metro, with permits dropping for the second consecutive month in June. Meanwhile developers are surging ahead with plans for new apartments in the Twin Cities with another triple-digit increase over this month last year. Homebuilders pulled 576 permits for new single-family homes for the month, a 10% drop from last June. This month, permits were pulled for 2,093 multifamily units, with a majority of the units being in the suburbs.



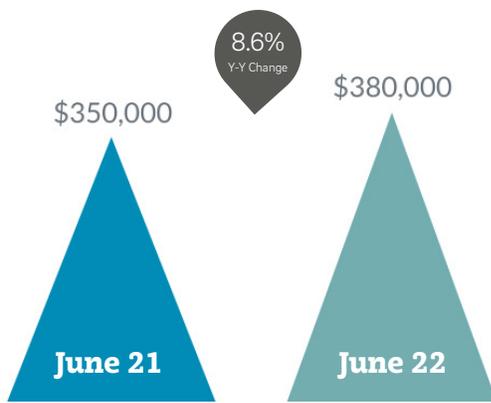
-6.2%
Y-Y Change

Units YTD:
9,334

Multifamily
78%
of Twin Cities Housing
Units Authorized

Twin Cities Housing Permits Authorized

SOURCE: KEYSTONE REPORT



8.6%
Y-Y Change



9.8%
Monthly
change

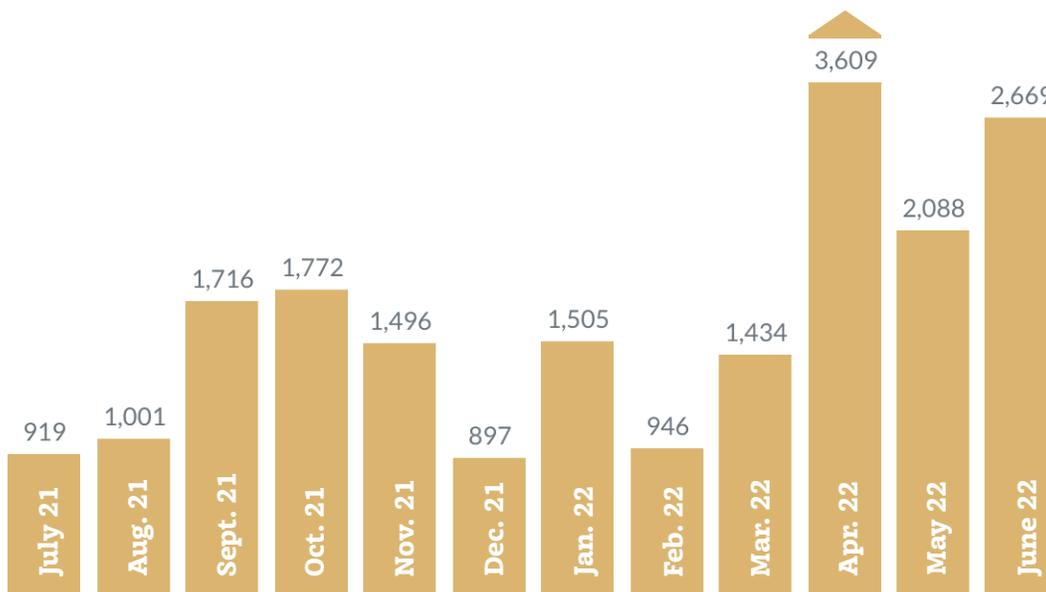
Twin Cities Total Active Listings

SOURCE: MPLS REALTORS

Twin Cities Median Home Price

SOURCE: MPLS REALTORS

■ June 2022 (52.34%) ■ June 2021 (47.66%)



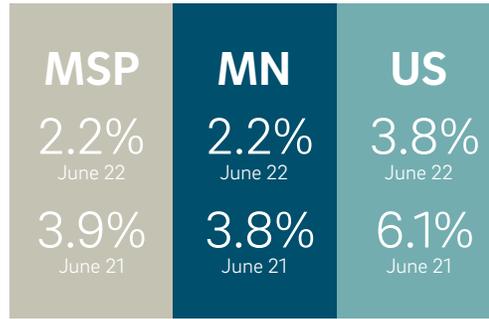
Metro Building Units - Past 12 Months

SOURCE: KEYSTONE REPORT

Employment

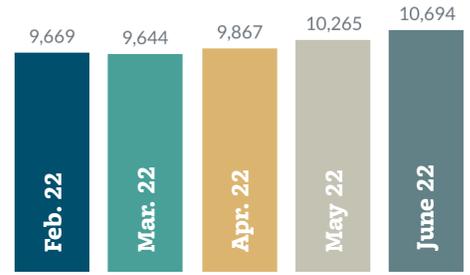
Minnesota's seasonally adjusted unemployment rate sunk to an all-time low at 1.8% in June, according to the Minnesota Department of Employment and Economic Development.

The national unemployment rate remained unchanged in June month-over-month at 3.6%. Construction employment in Minnesota remained flat since June 2021.



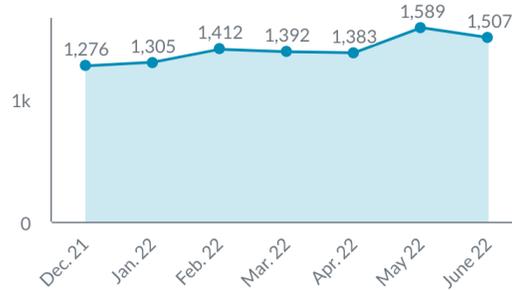
Unemployment Rate Snapshot

SOURCE: DEED-MN



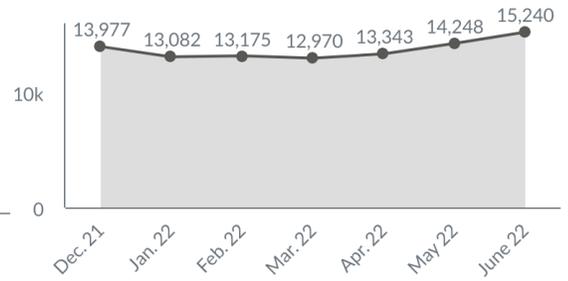
Twin Cities Construction Employment

SOURCE: DEED-MN



Twin Cities Construction Weekly Wages

SOURCE: DEED-MN



MN Construction Employment

SOURCE: DEED-MN



MN Housing Units Authorized

SOURCE: US CENSUS



US Housing Units Authorized

SOURCE: US CENSUS

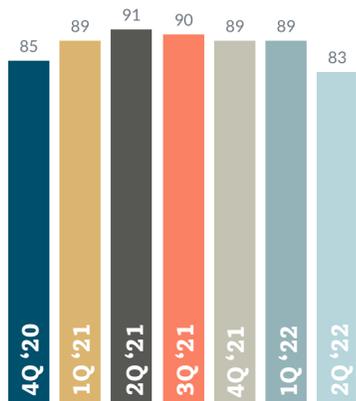
Regional/National Statistics

Sales of existing homes decreased 5.4% over the previous month in June, according to the National Association of REALTORS®. This is the fifth straight month of decreases in the existing home market.

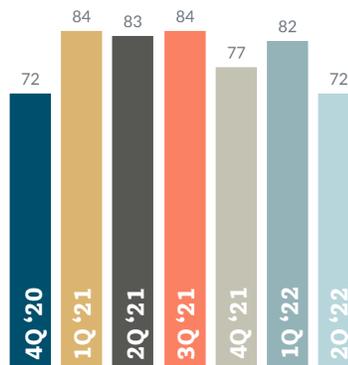
Regionally, sales remained flat month-to-month in the Northeast and decreased 1.6% in the Midwest. In the South, sales dropped 6.2% over the previous month, and in the West, sales fell 11.1% month-over-month.

Remodeling Market Indices

SOURCE: NAHB



Current

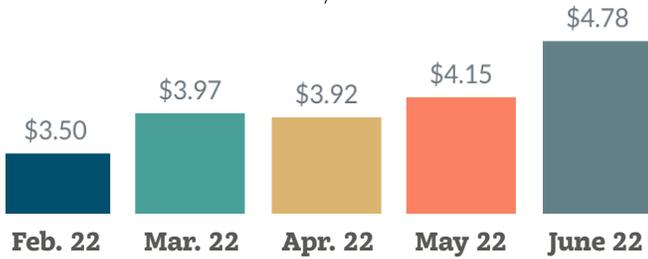


Futures

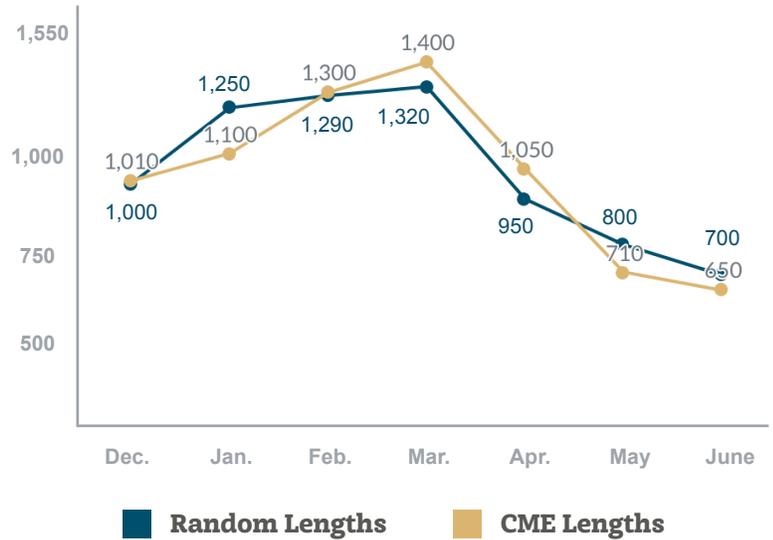
Key Indicators

Last year, interest rates on an average 30-year fixed-rate mortgage hovered around 3%. Now, the average rate has jumped to almost 6% over the last 12 months. These rate hikes, coupled with already record-high home prices from an overheated housing market, are directly impacting how much homebuyers can afford and are causing some to pause their home search.

Demand for mortgages in the first half of July was at the lowest level in over 20 years, according to the Mortgage Bankers Association. As a result, sellers are having to adjust their expectations to what is realistic for buyers in this new market dynamic. The market over the last few months is showing a slight shift away from what was largely a seller's market for most of the last two years.



MN Monthly Retail Gasoline Prices
SOURCE: ENERGY INFORMATION ADMIN



Framing Lumber
SOURCE: NAHB

Mortgage Rates

FROM JULY 31, 2022
SOURCE: ASSOCIATED BANK

30 Year	5.125%
30 Year Fixed FHA	5.375%
15 Year	4.5%
5 Year ARM	4.125%
30 Year Jumbo	5.0%

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LEADING LENDER IN THE MIDWEST FOR OVER A DECADE*



*The Leading Lender in the Midwest designation is based on originated, closed-end mortgage loan count, gathered from the Home Mortgage Disclosure Act data compiled annually by the Consumer Financial Protection Bureau. The results of the data were obtained through the Consumer Financial Protection Bureau Mortgage Database (HMDB), July 2021.

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